

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

REPORT OF AUDIT  
Year Ended June 30, 2009

## CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheets – Governmental Funds	12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19-20
Statement of Fiduciary Net Assets	21
Notes to the Basic Financial Statements	22-36
Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	38
Statements of Receipts, Disbursements and Fund Balances – Activity Funds	39-41
Schedule of Expenditures of Federal Awards	42-44
Schedule of Findings and Questioned Costs	45

## CONTENTS

Summary Schedule of Prior Audit Findings	<u>Page</u> 46
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	47-48
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	49-50
Independent Auditor's Introductory Letter to Management Letter Points	51

# Marr, Miller & Myers, PSC

Certified Public Accountants  
(606) 528-2454 (FAX 528-1770)

P.O. Box 663  
Corbin, Kentucky 40702

## INDEPENDENT AUDITOR'S REPORT

October 23, 2009

Members of the Board of Education  
Whitley County School District  
Williamsburg, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Whitley County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, and Appendix III to the Independent Auditor's Contract – Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2009, on our consideration of Whitley County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

## Marr, Miller & Myers, PSC

---

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted auditing standards. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Whitley County School District's basic financial statements. The additional information shown on pages 37 through 51 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 42 through 44 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Marr, Miller & Myers, PSC*

Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009

As management of the Whitley County School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**SUPERINTENDENTS' REVIEW OF THE YEAR**

- The District continued to refine curriculum and exit criteria for all grade levels with committees of teachers representing primary, intermediate, middle and high school grade levels.
- The District built leadership capacity among teachers by placing them as Action Component Leaders in development of the School Improvement Plans.
- All schools presented disaggregated data from CATS test results and plans for school improvement to the Board of Education.
- The focus on improved instruction throughout the district remained a priority with the continued employment of our writing specialist, math specialist and reading specialist. All three specialists provided a variety of content specific professional development activities for teachers, as well as in-class assistance.
- The District increased its focus on student achievement through providing professional development including:
  - No Child Left Behind
  - Assisting Lower Achieving Students in the Classroom
  - Grade Level Academies
  - Accelerated Math
  - Modifying Instruction for Diverse Learners
  - Improving Student Motivation
  - Classroom Behavior Management
  - Curriculum Alignment
  - Building Positive Parent Relations
  - Riverdeep
  - KET Encyclomedia
  - SmartBoard software instruction
- The District continued its efforts to effectively integrate technology and curriculum through professional development activities which included:
  - PowerPoint
  - Primary Level Software Exploration
  - Intermediate Level Software Exploration
  - Using the Internet
  - Microsoft Word
  - Excel Spreadsheet
  - Plato
  - Smart Boards
  - GRADE Diagnostic Reading Assessment
  - Technology and Literature
  - Weather station
  - Riverdeep software
  - iMACS
  - Document Cameras

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009

- Employed a Media Programmer/Manager to assist with operation of the student run, staff assisted WCWC radio station.
- Creation and implementation of a technology curriculum for the elementary students that teaches our students about internet safety, keyboarding skills, and computer fundamentals through core content instruction.
- Implementation of a Technology Help Desk that is available from 7:30-4:30 so staff may receive quick answers to technology "how-to" questions and/or report technology problems.
- Continued the Read to Achieve, Reading Recovery and Early Incentive Reading programs targeting at-risk readers in the elementary schools.
- The high school and middle school finished a two year RAND research grant which provided the Carnegie Algebra I curriculum and resources for all Algebra I classes and began implementation of Carnegie Bridges to Algebra in the eighth grade and Carnegie Geometry at the high school. Carnegie is a comprehensive, research-based program designed so that students spend forty percent of instructional time using the Cognitive Tutor software.
- Pleasant View Elementary, Whitley Central Intermediate and Primary Schools entered into a collaborative program with Save the Children designed to improve the literacy levels of at-risk students. Services are targeted to struggling readers both during the school day and in an after-school program. Oak Grove Elementary will be added in 2010.
- Continued the Y.O.U. (Youth Opportunities Unlimited) program targeting students at-risk of dropping out of school. This program assists with credit completion and employment opportunities. Also received ARRA funds via the Y.O.U. program.
- Continued support to Rockholds Opportunity Center for students in Grades 7-12 who are not succeeding in a traditional school environment.
- Continued participation in the 21<sup>st</sup> Century Community Learning Grants at Pleasant View, Boston, North and East. The 21<sup>st</sup> Century Community Learning Grant provides after school and summer learning opportunities and field trips for our students.
- PRIDE Grants were awarded to several schools in the Whitley County School District.
- Continued the Fleet Improvement Plan with the purchase of 4 new school buses.
- All schools are connected with fiber allowing centralization of servers. The "server farm" is housed on the fourth floor of the District's central office building.
- *Bits and Bytes of Whitley County* is a monthly newsletter published to assist teachers in using the Internet to enhance instruction.
- *Technology Tidbits* is a monthly email to inform staff of exciting and new technology information that can be used in the classroom.
- Completed installation of sidewalks and curbs along Boulevard of Champions to permit safe travel for pedestrians and control runoff.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009

- Began site development for Soccer complex.
- Completed turn-lane at Whitley East Elementary School.
- Completed conversion of the band room at WCHS into two classrooms and two special needs instructional areas. Also converted a standard classroom into an FMD room.
- Completed construction on a new Early Childhood Center at Oak Grove Elementary School.
- Replaced carpet with tile in Whitley North Elementary library.
- Continued effort to install digital security systems in all schools including updated security equipment at Oak Grove, Whitley North and the Bus Garage through local effort and the REMS grant.
- Purchase and use of One-Call system for contacting parents, students, employees and other stakeholders.
- Renovated hallways, lobby area and restrooms at Whitley County Middle School.
- All buildings in the district are utilizing Automated Logic, a digital energy control system.
- Installed iMACs at the High School to enhance foreign language, visual and performing arts, and Media production.
- Purchased an additional mobile computer lab at the high school to aid in implementation of the Carnegie programs.

Capital Projects for 2009-10:

- Partial roof replacement for Whitley County Middle School.
- Phase I of construction of a Soccer Stadium.
- Complete construction of football/soccer practice field on Central Campus.
- Begin planning process for the addition of a Freshman Academy at WCHS and replacement/renovation of the existing HVAC system.
- Tile hallways at Oak Grove Elementary.

**FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$10,114,875 in 2009 and \$8,137,135 in 2008. This is an increase of \$1,977,740. Restricted funds comprised \$7,219,654 of the cash balance at June 30, 2009 as compared to \$5,918,597 at June 30, 2008. General Fund cash increased \$657,432 from 2008 to 2009.
- A concerted effort was focused on purchasing in the areas of supplies, food, and travel. This resulted in several economies due to changed management strategies.



WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009

- Earnings on investments decreased \$296,836 due to expending available monies on construction projects.
- The General Fund had \$35,091,175 in revenue, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$34,899,692 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total bonded debt increased by \$2,340,000 during the current fiscal year, which represents bond proceeds of \$3,655,000 and bond principal payments in the amount of \$1,315,000.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and management of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 10 and 11 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are vending and food service operations, community education and day care operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12 through 21 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 36 of this report.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, general equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net Assets for the period ending June 30, 2009**

Fiscal year 2009 government-wide net assets compared to 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 11,967,538	\$ 10,225,587
Capital assets	<u>43,000,355</u>	<u>40,898,020</u>
Total Assets	<u>\$ 54,967,893</u>	<u>\$ 51,123,607</u>
Current liabilities	\$ 6,391,243	\$ 3,170,738
Noncurrent liabilities	<u>23,417,165</u>	<u>24,517,680</u>
Total Liabilities	<u>\$ 29,808,408</u>	<u>\$ 27,688,418</u>
Net assets		
Investment in capital assets, net of related debt	\$ 14,840,305	\$ 15,318,894
Restricted	7,283,822	5,602,193
Unrestricted	<u>3,035,358</u>	<u>2,514,102</u>
Total Net Assets	<u>\$ 25,159,485</u>	<u>\$ 23,435,189</u>

The most significant change in the financial position of the District since the last audit was the acquisition of capital assets in the amount of \$4,119,207. The District also had an overall increase in liabilities of \$2,119,990.

The following table presents a summary of revenues and expenditures, for Governmental Funds only, for the fiscal years ended June 30:

	<u>2009</u>	<u>Percent</u>	<u>2008</u>	<u>Percent</u>
<b>REVENUES</b>				
Local revenue sources	\$ 5,330,632	10.91%	\$ 4,788,462	10.07 %
State revenue sources	34,506,799	70.60	34,118,248	71.71
Federal sources	4,871,042	9.97	5,024,363	10.56
Operating transfers (net)	120,177	.25	360,322	.76
Proceeds from sale of assets	15,862	.03	19,002	.04
Bond proceeds	3,655,000	7.47	3,265,000	6.86
Capital lease proceeds	<u>374,539</u>	<u>.77</u>	<u>-</u>	<u>-</u>
Total revenues	<u>48,874,051</u>	<u>100.00</u>	<u>47,575,397</u>	<u>100.00</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009

	<u>2009</u>	<u>Percent</u>	<u>2008</u>	<u>Percent</u>
<b>EXPENDITURES</b>				
Instruction	27,139,544	55.53	26,465,865	55.63
Student support services	1,806,886	3.70	1,832,223	3.85
Instructional staff	2,351,797	4.81	2,358,247	4.96
District administration	1,070,429	2.19	1,024,435	2.15
School administration	1,962,092	4.01	1,901,048	4.00
Business	619,015	1.27	584,088	1.23
Plant operation and management	3,926,805	8.03	3,749,119	7.88
Student transportation	3,059,650	6.26	3,703,110	7.78
Facilities acquisition and construction	2,410,941	4.93	4,139,723	8.70
Community services activities	616,895	1.26	696,034	1.46
Bond issuance costs/discount	69,752	.15	51,885	.11
Debt service/lease payments	<u>1,541,629</u>	<u>3.16</u>	<u>1,466,706</u>	<u>3.08</u>
Total expenditures	<u>46,575,435</u>	<u>95.30</u>	<u>47,972,483</u>	<u>100.83</u>
Excess revenues (expenditures)	<u>\$ 2,298,616</u>	<u>4.70%</u>	<u>\$ (397,086)</u>	<u>(.83)%</u>

The majority of the District's revenue was derived from state revenue sources making up 70.60% of their revenue in 2009 as compared to 71.71% in 2008. Local revenue sources comprised 10.91% in 2009 as compared to 10.07% in 2008.

Instructional expenditures comprised 55.53% of the District's expenses for 2009 as compared to 55.63% in 2008. Facilities acquisition and construction comprised 4.93% of the District's expenses for 2009 as compared to 8.70% in 2008. Plant operation and management comprised 8.03% of the District's expenses for 2009 as compared to 7.88% in 2008. Capital assets of \$4,119,207 were charged to expenditures in 2009.

#### Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2009 were \$35,091,175.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$7,613,983 more than budget or 27.71%. This is due primarily to recording on-behalf payments made by the State of Kentucky of \$6,960,327 that were not budgeted. When these are eliminated, revenues compared to budget were \$653,656 or 2.38% more than anticipated.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2009 was \$34,899,692.
- General fund budget expenditures to actual varied significantly in instruction support with them being \$4,531,243 over budget. Additionally, instructional staff closed with a budget deficit of \$197,868. Student transportation closed with a budget deficit of \$617,432. Student support services ended with a budget deficit of \$337,382. School administration closed with a budget deficit of \$452,511. All of these were due to on-behalf payments of \$6,960,327 which were not budgeted.

In Kentucky, the public school fiscal year is July 1 to June 30. Other programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a 2008-09 budget with \$1,716,480 in contingency (6.25%).

#### Future Budget Implications

The District adopted a budget for 2009-10 with \$1,545,458 in contingency (3.56%). Significant Board action that impacts the finances includes a 1% salary increase for certified and classified personnel, the purchase of four new school buses, and a number of special projects to improve and upgrade schools in the District.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or to Leigh Burke, Director of Financial Services at (606) 549-7000 or by mail at 300 Main Street, Williamsburg, KY 40769.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF NET ASSETS  
June 30, 2009

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 9,694,208	\$ 420,667	\$ 10,114,875
Accounts receivable:			
Taxes – current	429,307	-	429,307
Accounts receivable	196,756	17,296	214,052
Intergovernmental – state	481,213	-	481,213
Intergovernmental – federal	412,158	56,232	468,390
Materials and supplies inventory	-	76,971	76,971
Other current assets	182,730	-	182,730
Total current assets	<u>11,396,372</u>	<u>571,166</u>	<u>11,967,538</u>
<b>NONCURRENT ASSETS</b>			
Capital assets, net	<u>42,571,565</u>	<u>428,790</u>	<u>43,000,355</u>
Total noncurrent assets	<u>42,571,565</u>	<u>428,790</u>	<u>43,000,355</u>
<b>TOTAL ASSETS</b>	<u>53,967,937</u>	<u>999,956</u>	<u>54,967,893</u>
 <u>LIABILITIES AND NET ASSETS</u>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	287,648	40,251	327,899
Construction contracts retainage	2,353	-	2,353
Construction contracts payable	3,524	-	3,524
Matured coupons outstanding	112,685	-	112,685
Accrued wages and benefits	504,904	-	504,904
Deferred revenue	340,730	-	340,730
Current portion of bond obligations	4,925,000	-	4,925,000
Current portion of lease obligations	174,148	-	174,148
Total current liabilities	<u>6,350,992</u>	<u>40,251</u>	<u>6,391,243</u>
<b>NONCURRENT LIABILITIES</b>			
Noncurrent portion of bond obligations	22,398,801	-	22,398,801
Noncurrent portion of lease obligations	662,101	-	662,101
Noncurrent portion of accrued sick leave	356,263	-	356,263
Total noncurrent liabilities	<u>23,417,165</u>	<u>-</u>	<u>23,417,165</u>
<b>TOTAL LIABILITIES</b>	<u>29,768,157</u>	<u>40,251</u>	<u>29,808,408</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	14,411,515	428,790	14,840,305
Restricted for:			
Debt service	4,274,885	-	4,274,885
Capital projects	3,008,937	-	3,008,937
Unrestricted	2,504,443	530,915	3,035,358
TOTAL NET ASSETS	<u>\$ 24,199,780</u>	<u>\$ 959,705</u>	<u>\$ 25,159,485</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 27,977,981	\$ 115,258	\$ 6,091,352	\$ -	\$(21,771,371)		\$(21,771,371)
Support services:							
Student	1,835,835	(36)	237,965	-	(1,597,906)		(1,597,906)
Instructional staff	2,142,072	-	787,369	-	(1,354,703)		(1,354,703)
District administration	1,117,960	-	2,826	-	(1,115,134)		(1,115,134)
School administration	1,974,918	-	66,109	-	(1,908,809)		(1,908,809)
Business	614,473	-	-	-	(614,473)		(614,473)
Plant operation and management	3,921,871	20,100	-	-	(3,901,771)		(3,901,771)
Student transportation	1,929,716	-	35,749	-	(1,893,967)		(1,893,967)
Central office	651	-	-	-	(651)		(651)
Facilities acquisition and construction	102,074	-	-	1,510,263	1,408,189		1,408,189
Community services activities	605,353	400,227	561,409	-	356,283		356,283
Interest on long-term debt	735,037	-	-	-	(735,037)		(735,037)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 42,957,941</u>	<u>\$ 535,549</u>	<u>\$ 7,782,779</u>	<u>\$ 1,510,263</u>	<u>\$(33,129,350)</u>		<u>\$(33,129,350)</u>
BUSINESS-TYPE ACTIVITIES:							
Food service	\$ 2,813,224	\$ 362,412	\$ 2,406,309	\$ -		\$ (44,503)	(44,503)
Day care	222,938	174,545	47,905	-		(488)	(488)
Community education	1,748	345	-	-		(1,403)	(1,403)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 3,037,910</u>	<u>\$ 537,302</u>	<u>\$ 2,454,214</u>	<u>\$ -</u>		<u>\$(46,394)</u>	<u>\$(46,394)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 45,995,851</u>	<u>\$ 1,072,851</u>	<u>\$ 10,236,993</u>	<u>\$ 1,510,263</u>			<u>\$(33,175,744)</u>
GENERAL REVENUES							
Taxes							
Property					2,483,994	-	2,483,994
Motor vehicle					602,351	-	602,351
Utilities					1,170,212	-	1,170,212
State aid formula grants					29,549,250	-	29,549,250
Earnings on investments					223,594	13,154	236,748
Gain (loss) on the sale of assets					6,806	-	6,806
Other					850,481	198	850,679
Total general revenues					34,886,688	13,352	34,900,040
Operating transfers (net)					120,177	(120,177)	-
Total general revenues and transfers					35,006,865	(106,825)	34,900,040
Change in net assets					1,877,515	(153,219)	1,724,296
Net assets, July 1, 2008					22,322,265	1,112,924	23,435,189
Net assets, June 30, 2009					<u>\$ 24,199,780</u>	<u>\$ 959,705</u>	<u>\$ 25,159,485</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

BALANCE SHEETS  
GOVERNMENTAL FUNDS  
June 30, 2009

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND RESOURCES</b>				
Cash and cash equivalents	\$ 3,014,023	\$(539,469)	\$ 7,219,654	\$ 9,694,208
Accounts receivable:				
Taxes – current	429,307	-	-	429,307
Accounts receivable	195,831	925	-	196,756
Intergovernmental – state	-	481,213	-	481,213
Intergovernmental – federal	-	412,158	-	412,158
Other current assets	-	-	182,730	182,730
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 3,639,161</u>	<u>\$ 354,827</u>	<u>\$ 7,402,384</u>	<u>\$ 11,396,372</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 273,551	\$ 14,097	\$ -	\$ 287,648
Construction contracts retainage	-	-	2,353	2,353
Construction contracts payable	-	-	3,524	3,524
Matured coupons outstanding	-	-	112,685	112,685
Accrued wages and benefits	504,904	-	-	504,904
Deferred revenue	-	340,730	-	340,730
<b>TOTAL LIABILITIES</b>	<u>778,455</u>	<u>354,827</u>	<u>118,562</u>	<u>1,251,844</u>
<b>FUND BALANCES</b>				
Unreserved, reported in:				
General fund	2,860,706	-	-	2,860,706
Reserved, reported in:				
Capital project funds	-	-	3,008,937	3,008,937
Debt service fund	-	-	4,274,885	4,274,885
<b>TOTAL FUND BALANCES</b>	<u>2,860,706</u>	<u>-</u>	<u>7,283,822</u>	<u>10,144,528</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,639,161</u>	<u>\$ 354,827</u>	<u>\$ 7,402,384</u>	<u>\$ 11,396,372</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
June 30, 2009

<b>Total Fund Balances per fund financial statements</b>		<b>\$ 10,144,528</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, but they are reported in the statement of net assets.		42,571,565
Certain liabilities, such as bonds payable, the long-term portion of accrued sick leave and lease obligations are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net assets:		
Accrued sick leave	\$ (356,263)	
Bonds payable	(27,323,801)	
Lease obligations	<u>(836,249)</u>	<u>(28,516,313)</u>
<b>Total Net Assets for Governmental Activities</b>		<b><u>\$ 24,199,780</u></b>

The accompanying notes are an integral part of these financial statements.



WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2009

	General Fund	Special Revenue
REVENUES		
From local sources:		
Taxes		
Property	\$ 2,213,998	\$ -
Motor vehicle	602,351	-
Utilities	1,170,212	-
Earnings on investments	158,213	3,033
Other local revenues	330,507	444,974
Intergovernmental – state	30,654,017	2,342,519
Intergovernmental – indirect federal	-	4,727,979
Intergovernmental – direct federal	(38,113)	181,176
TOTAL REVENUES	<u>35,091,175</u>	<u>7,699,681</u>
EXPENDITURES		
Instruction	21,046,124	6,093,420
Support services:		
Student	1,568,921	237,965
Instructional staff	1,564,428	787,369
District administration	1,067,603	2,826
School administration	1,895,984	66,108
Business	619,015	-
Plant operation and management	3,926,805	-
Student transportation	3,023,901	35,749
Facilities acquisition and construction	31,518	-
Community services activities	91,641	525,254
Payment of bonds/debt service	63,752	-
Payment of lease obligation	-	36,064
Payment of interest	-	-
TOTAL EXPENDITURES	<u>34,899,692</u>	<u>7,784,755</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>191,483</u>	<u>(85,074)</u>
OTHER FINANCING SOURCES (USES)		
Capital lease proceeds	374,539	-
Bond proceeds	-	-
Bond discount	-	-
Bond issuance costs	-	-
Operating transfers in	123,503	88,400
Operating transfers out	(88,400)	(3,326)
Proceeds from sale of assets	15,862	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>425,504</u>	<u>85,074</u>
NET CHANGES IN FUND BALANCES	616,987	-
FUND BALANCES, JULY 1, 2008	<u>2,243,719</u>	<u>-</u>
FUND BALANCES, JUNE 30, 2009	<u>\$ 2,860,706</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
--------------------------------	--------------------------------

\$ 270,006	\$ 2,483,994
-	602,351
-	1,170,212
62,348	223,594
75,000	850,481
1,510,263	34,506,799
-	4,727,979
-	143,063
<u>1,917,617</u>	<u>44,708,473</u>

-	27,139,544
---	------------

-	1,806,886
-	2,351,797
-	1,070,429
-	1,962,092
-	619,015
-	3,926,805
-	3,059,650
2,379,423	2,410,941
-	616,895
706,776	770,528
-	36,064
<u>735,037</u>	<u>735,037</u>
<u>3,821,236</u>	<u>46,505,683</u>

<u>(1,903,619)</u>	<u>(1,797,210)</u>
--------------------	--------------------

-	374,539
3,655,000	3,655,000
(32,382)	(32,382)
(37,370)	(37,370)
1,433,365	1,645,268
(1,433,365)	(1,525,091)
-	15,862
<u>3,585,248</u>	<u>4,095,826</u>

1,681,629	2,298,616
-----------	-----------

<u>5,602,193</u>	<u>7,845,912</u>
------------------	------------------

<u>\$ 7,283,822</u>	<u>\$ 10,144,528</u>
---------------------	----------------------

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

<b>Total Net Change In Fund Balances – per fund financial statements</b>		<b>\$ 2,298,616</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Depreciation	\$(1,981,234)	
Capital outlays	<u>4,119,207</u>	2,137,973
In the statement of activities, gain (loss) is recorded on the sale of assets, whereas in governmental funds, only the proceeds are reported.		(9,056)
Bond proceeds are reported as other financing sources in the governmental funds but are shown as an increase in long-term liabilities in the statement of net assets and does not result in revenue in the statement of activities.		(3,655,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.		1,315,000
Capital lease proceeds are reported as other financing sources in the governmental funds but are shown as an increase in long-term liabilities in the statement of net assets and does not result in revenue in the statement of activities.		(374,539)
Payments on lease obligations are an expenditure in the governmental funds, but the payments reduce noncurrent lease obligations in the statement of net assets and do not result in an expense in the statement of activities.		133,615
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as accrued sick leave.		<u>30,906</u>
<b>Change In Net Assets of Governmental Activities</b>		<b><u>\$ 1,877,515</u></b>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Favorable or (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ 1,600,000	\$ 1,600,000	\$ 2,213,988	\$ 613,988
Motor vehicle	550,000	550,000	602,351	52,351
Utilities	1,100,000	1,100,000	1,170,212	70,212
Earnings on investments	200,000	200,000	158,213	(41,787)
Other local revenues	243,100	243,100	330,507	87,407
Intergovernmental – state	23,684,092	23,684,092	30,654,017	6,969,925
Intergovernmental – direct federal	100,000	100,000	(38,113)	(138,113)
<b>TOTAL REVENUES</b>	<u>27,477,192</u>	<u>27,477,192</u>	<u>35,091,175</u>	<u>7,613,983</u>
<b>EXPENDITURES</b>				
Instruction	16,514,881	16,514,881	21,046,124	(4,531,243)
Support services:				
Student	1,231,539	1,231,539	1,568,921	(337,382)
Instructional staff	1,366,560	1,366,560	1,564,428	(197,868)
District administration	970,531	970,531	1,067,603	(97,072)
School administration	1,443,473	1,443,473	1,895,984	(452,511)
Business	512,365	512,365	619,015	(106,650)
Plant operation and management	3,558,026	3,558,026	3,926,805	(368,779)
Student transportation	2,406,469	2,406,469	3,023,901	(617,432)
Facilities acquisition and construction	87,446	87,446	31,518	55,928
Community services activities	101,787	101,787	91,641	10,146
Contingency	1,716,480	1,716,480	63,752	1,652,728
<b>TOTAL EXPENDITURES</b>	<u>29,909,557</u>	<u>29,909,557</u>	<u>34,899,692</u>	<u>(4,990,135)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,432,365)</u>	<u>(2,432,365)</u>	<u>191,483</u>	<u>2,623,848</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	181,779	181,779	123,503	(58,276)
Operating transfers out	-	-	(88,400)	(88,400)
Capital lease proceeds	-	-	374,539	374,539
Proceeds from sale of assets	5,000	5,000	15,862	10,862
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>186,779</u>	<u>186,779</u>	<u>425,504</u>	<u>238,725</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>(2,245,586)</u>	<u>(2,245,586)</u>	<u>616,987</u>	<u>2,862,573</u>
<b>FUND BALANCE, JULY 1, 2008</b>	<u>2,245,586</u>	<u>2,245,586</u>	<u>2,243,719</u>	<u>(1,867)</u>
<b>FUND BALANCE, JUNE 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,860,706</u>	<u>\$ 2,860,706</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

<u>ASSETS</u>	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 415,966	\$ 4,498	\$ 203	\$ 420,667
Materials and supplies inventory	76,971	-	-	76,971
Accounts receivable:				
Accounts receivable	1,368	15,928	-	17,296
Intergovernmental – federal	<u>56,232</u>	<u>-</u>	<u>-</u>	<u>56,232</u>
Total current assets	<u>550,537</u>	<u>20,426</u>	<u>203</u>	<u>571,166</u>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	<u>428,790</u>	<u>-</u>	<u>-</u>	<u>428,790</u>
<b>TOTAL ASSETS</b>	<u>979,327</u>	<u>20,426</u>	<u>203</u>	<u>999,956</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	<u>39,822</u>	<u>429</u>	<u>-</u>	<u>40,251</u>
Total current liabilities	<u>39,822</u>	<u>429</u>	<u>-</u>	<u>40,251</u>
<b>NET ASSETS</b>				
Investment in capital assets	428,790	-	-	428,790
Unrestricted	<u>510,715</u>	<u>19,997</u>	<u>203</u>	<u>530,915</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 939,505</u>	<u>\$ 19,997</u>	<u>\$ 203</u>	<u>\$ 959,705</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
OPERATING REVENUES				
Tuition and fees	\$ -	\$ 174,545	\$ 345	\$ 174,890
Sales	362,412	-	-	362,412
Other operating revenues	-	-	198	198
TOTAL OPERATING REVENUES	<u>362,412</u>	<u>174,545</u>	<u>543</u>	<u>537,500</u>
OPERATING EXPENSES				
Salaries	939,080	147,565	50	1,086,695
Employee benefits	377,064	71,379	165	448,608
Purchased services	19,623	2,676	1,132	23,431
Supplies and materials	1,396,288	1,561	401	1,398,250
Depreciation	74,158	-	-	74,158
Operating transfers	120,177	-	-	120,177
Other operating expenses	7,011	(243)	-	6,768
TOTAL OPERATING EXPENSES	<u>2,933,401</u>	<u>222,938</u>	<u>1,748</u>	<u>3,158,087</u>
OPERATING INCOME (LOSS)	<u>(2,570,989)</u>	<u>(48,393)</u>	<u>(1,205)</u>	<u>(2,620,587)</u>
NON-OPERATING REVENUES (EXPENSES)				
Operating grants – federal	2,184,672	-	-	2,184,672
Operating grants – state	221,637	47,905	-	269,542
Interest income	12,847	269	38	13,154
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,419,156</u>	<u>48,174</u>	<u>38</u>	<u>2,467,368</u>
CHANGES IN NET ASSETS	(151,833)	(219)	(1,167)	(153,219)
NET ASSETS, JULY 1, 2008	<u>1,091,338</u>	<u>20,216</u>	<u>1,370</u>	<u>1,112,924</u>
NET ASSETS, JUNE 30, 2009	<u>\$ 939,505</u>	<u>\$ 19,997</u>	<u>\$ 203</u>	<u>\$ 959,705</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from tuition and fees	\$ -	\$ 162,153	\$ 345	\$ 162,498
Cash received from sales	364,442	-	-	364,442
Other cash receipts	-	-	198	198
Cash payments for salaries and employee benefits	(1,316,144)	(218,944)	(215)	(1,535,303)
Cash payments for purchased services	(19,623)	(2,676)	(1,132)	(23,431)
Cash payments for supplies and materials	(1,417,245)	(1,132)	(401)	(1,418,778)
Cash payments for other expenses	(127,188)	243	-	(126,945)
Net cash provided (used) by operating activities	<u>(2,515,758)</u>	<u>(60,356)</u>	<u>(1,205)</u>	<u>(2,577,319)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	<u>(47,981)</u>	-	-	<u>(47,981)</u>
Net cash provided (used) by capital and related financing activities	<u>(47,981)</u>	-	-	<u>(47,981)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipt of interest	12,847	269	38	13,154
Receipt of grants	<u>2,398,762</u>	<u>47,905</u>	-	<u>2,446,667</u>
Net cash provided (used) by investing activities	<u>2,411,609</u>	<u>48,174</u>	<u>38</u>	<u>2,459,821</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(152,130)	(12,182)	(1,167)	(165,479)
<b>CASH AND CASH EQUIVALENTS, JULY 1, 2008</b>	<u>568,096</u>	<u>16,680</u>	<u>1,370</u>	<u>586,146</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2009</b>	<u>\$ 415,966</u>	<u>\$ 4,498</u>	<u>\$ 203</u>	<u>\$ 420,667</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$(2,570,989)	\$ (48,393)	\$(1,205)	\$(2,620,587)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Depreciation	74,158	-	-	74,158
Changes in assets and liabilities:				
Accounts receivable	2,030	(12,392)	-	(10,362)
Inventory	14,421	-	-	14,421
Accounts payable	<u>(35,378)</u>	<u>429</u>	-	<u>(34,949)</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$(2,515,758)</u>	<u>\$(60,356)</u>	<u>\$(1,205)</u>	<u>\$(2,577,319)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Donated commodities received from federal government				<u>\$ 128,572</u>
On-behalf payments from state government				<u>\$ 239,517</u>

The accompanying notes are an integral part of these financial statements.



WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2009

ASSETS

AGENCY

CURRENT ASSETS

Cash and cash equivalents

\$ 352,878

Receivables

6,419

TOTAL ASSETS

359,297

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable

21,667

Due to students

337,630

TOTAL LIABILITIES

359,297

NET ASSETS

\$ -

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies that affect the significant elements of the Whitley County School District are summarized as follows:

**REPORTING ENTITY**

The Whitley County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Whitley County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Whitley County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statement of the following organization is included in the accompanying financial statements:

**WHITLEY COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

The Whitley County Board of Education resolved to authorize the establishment of the Whitley County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Whitley County Board of Education also comprise the corporation's Board of Directors.

**BASIS OF PRESENTATION**

Government-Wide Financial Statements: The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service,

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements:** Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 42 through 44. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

- (B) The Day Care Fund is used to account for the day care operations of the District.
- (C) The Community Education Fund is used to account for community education provided by the District.

III. Fiduciary Fund Type (Agency Fund)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. This fund is accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues, Exchange and Nonexchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue: The District reports deferred revenue on its statement of net assets and governmental funds balance sheet. In both the government-wide and governmental fund statements, taxes received that are "intended to finance" a future period are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net assets and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that have a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorize the District to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; bankers' acceptances; and commercial paper notes rated prime that are issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS

Payments made that will benefit periods beyond June 30, 2009 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method and is determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food.

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 with the exception of assets acquired with Technology Funds, for which there is no threshold, and have a useful life of less than 1 year.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both capital assets and proprietary fund assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years
Other	10 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded. For proprietary funds, the entire amount of compensated absences is recorded as an expense and liability of the fund.

**ON-BEHALF PAYMENTS FOR FRINGE BENEFITS**

The District recognizes as revenues and expenses contributions made by the State of Kentucky for health insurance and flexible spending accounts on behalf of the District's employees. In fiscal year 2009, the State made contributions of \$7,199,844, consisting of \$6,960,327 for governmental funds and \$239,517 for proprietary funds.

**ACCRUED LIABILITIES AND LONG-TERM DEBT**

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

**GOVERNMENTAL FUND BALANCE RESERVES**

The District records reservations for portions of governmental fund balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore not available for appropriation. Unreserved fund balance indicates the portion of fund balance which is available for appropriation in future periods. Reservations of fund balance are established for encumbrances and supplies inventory.

**RESTRICTED RESOURCES**

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**NET ASSETS**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and tuition and fees charged for the day-care operations.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BUDGETARY PROCESS

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not after fiscal year end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

NOTE 2 – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation insurance.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2009, the carrying amount of the District's deposits (cash and certificates of deposit) was \$10,114,875 and the bank balance was \$12,576,276. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The deposits were deemed collateralized under Kentucky Law during the year and the District maintains copies of all safekeeping receipts. The following is disclosed:

- a. Name of banks utilized during fiscal year: Community Trust Bank, U.S. Bank, The Bank of New York Trust Co., N.A. and First and Farmers National Bank.



WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$12,659,963.
- c. Largest cash, savings and time deposit combined account balance amounted to \$12,035,026 and occurred during the month of July 2008.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000 per bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- Category 1      Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name.
- Category 2      Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3      Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1, 2 and 3.

NOTE 3 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the levy for the 2009 fiscal year was based, was \$613,249,938. The tax rates assessed for the year ended June 30, 2009 to finance general fund operations were \$.386 per \$100 valuation for real property and \$.438 per \$100 valuation for tangible property. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2009 were seventy-three percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

At June 30, 2009, the components of taxes receivable were as follows:

Motor vehicle tax	\$ 72,678
General property tax	37,190
Delinquent property tax	218,277
Utility tax	99,425
Omitted property tax	1,737
	<u>\$ 429,307</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

**NOTE 5 – CAPITAL ASSETS**

A summary of capital assets activity during the fiscal year follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<b>GOVERNMENTAL ACTIVITIES</b>				
Construction in progress	\$ 2,333,528	\$ -	\$ 1,497,277	\$ 836,251
Land	745,839	-	-	745,839
Land improvements	1,416,757	-	-	1,416,757
Buildings and improvements	44,195,585	3,602,052	-	47,797,637
Technology equipment	4,008,742	852,578	92,057	4,769,263
Vehicles	5,897,487	979,324	723,711	6,153,100
General equipment	2,249,907	182,530	500	2,431,937
Infrastructure	218,074	-	-	218,074
Totals at cost	<u>61,065,919</u>	<u>5,616,484</u>	<u>2,313,545</u>	<u>64,368,858</u>
Less accumulated depreciation:				
Land improvements	(1,033,108)	-	65,635	(1,098,743)
Buildings and improvements	(11,803,873)	-	740,546	(12,544,419)
Technology equipment	(2,732,094)	83,368	526,724	(3,175,450)
Vehicles	(4,189,716)	723,711	495,959	(3,961,964)
General equipment	(825,437)	133	142,790	(968,094)
Infrastructure	(39,043)	-	9,580	(48,623)
Total accumulated depreciation	<u>(20,623,271)</u>	<u>807,212</u>	<u>1,981,234</u>	<u>(21,797,293)</u>
Governmental activities capital assets, net	<u>\$ 40,442,648</u>	<u>\$ 6,423,696</u>	<u>\$ 4,294,779</u>	<u>\$ 42,571,565</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service equipment	\$ 1,251,571	\$ 47,398	\$ -	\$ 1,298,969
Technology equipment	57,802	583	2,475	55,910
Totals at cost	<u>1,309,373</u>	<u>47,981</u>	<u>2,475</u>	<u>1,354,879</u>
Less accumulated depreciation:				
Food service equipment	(801,136)	-	72,693	(873,829)
Technology equipment	(52,865)	2,070	1,465	(52,260)
Total accumulated depreciation	<u>(854,001)</u>	<u>2,070</u>	<u>74,158</u>	<u>(926,089)</u>
Business-type activities capital assets, net	<u>\$ 455,372</u>	<u>\$ 50,051</u>	<u>\$ 76,633</u>	<u>\$ 428,790</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,319,349
Support services:	
Student	29,717
Instructional staff	13,903
District administration	49,867
School administration	12,826
Business	1,914
Plant operation and management	60,486
Student transportation	492,011
Central office	651
Community services activities	510
Total governmental activities	<u>\$ 1,981,234</u>

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS

The original amount of each issue, the issue date, and interest rates are summarized as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
1997	\$ 2,910,000	4.1% to 4.6%
1998	4,420,000	4.5% to 4.625%
2002A	7,915,000	3.15% to 4.8%
2002B	2,045,000	1.75% to 4.125%
2004	1,055,000	1.00% to 3.25%
QZAB 2002	498,801	0%
QZAB 2003	500,000	0%
2006	6,425,000	4.0% to 4.15%
2007	3,265,000	4.05%
2009	3,655,000	1.00% to 3.00%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Whitley County Fiscal Court and the Whitley County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1988, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

In 2009, the District issued \$3,655,000 of School Building Refunding Revenue Bonds to refund the Series 1998 Bonds dated July 1, 1998. The Series 1998 Bonds maturing July 1, 2009 and thereafter will be called on July 1, 2009 at a price of \$3,581,831, representing \$3,470,000 of principal, \$32,300 for a call premium and \$79,531 of interest.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2009 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Kentucky School Facility Construction Commission</u>		<u>Whitley County School District</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009-10	\$ 1,964,919	\$ 244,598	\$ 2,960,081	\$ 686,859	\$ 5,856,457
2010-11	531,587	204,479	783,413	633,673	2,153,152
2011-12	382,201	186,379	807,799	607,046	1,983,425
2012-13	386,031	174,806	843,969	579,951	1,984,757
2013-14	372,461	163,067	832,539	557,700	1,925,767
2014-15	363,924	151,273	861,076	529,180	1,905,453
2015-16	376,167	139,031	898,833	495,332	1,909,363
2016-17	389,226	125,973	935,774	458,778	1,909,751
2017-18	403,145	112,053	1,470,656	419,556	2,405,410
2018-19	377,745	98,027	1,517,255	378,098	2,371,125
2019-20	266,212	85,961	1,083,788	338,529	1,774,490
2020-21	276,859	75,313	1,133,141	287,442	1,772,755
2021-22	287,934	64,238	1,192,066	233,507	1,777,745
2022-23	299,595	52,577	795,405	167,274	1,314,851
2023-24	311,879	40,293	828,121	134,501	1,314,794
2024-25	324,743	27,428	865,257	100,320	1,317,748
2025-26	338,139	14,033	896,861	64,721	1,313,754
2026-27	-	-	945,000	19,946	964,946
2027-28	-	-	20,000	405	20,405
	<u>\$ 7,652,767</u>	<u>\$ 1,959,529</u>	<u>\$ 19,671,034</u>	<u>\$ 6,692,818</u>	<u>\$ 35,976,148</u>

In 2005, the District entered into negotiations for the purchase of five school buses. Bonds were issued in the amount of \$353,214 through the KISTA Bond Pool Sizing Series of 2005. Interest rates range from 3.0% to 3.625%.

The minimum obligations of the District at June 30, 2009 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	<u>\$ 212,170</u>	<u>\$ 3,557</u>	<u>\$ 215,727</u>

Bond principal in the amount of \$33,799 was paid during the current fiscal year. The District paid the bonds in full August, 2009.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

In 2009, the District entered into negotiations for the purchase of four school buses. Bonds were issued in the amount of \$374,539 through the KISTA Bond Pool Sizing Second Series of 2009. Interest rates range from 2.0% to 3.9%.

The minimum obligations of the District at June 30, 2009 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 39,512	\$ 11,918	\$ 51,430
2010-11	40,894	10,500	51,394
2011-12	34,815	9,478	44,293
2012-13	35,644	8,608	44,252
2013-14	36,611	7,628	44,239
2014-15	37,855	6,529	44,384
2015-16	38,960	5,356	44,316
2016-17	40,203	4,070	44,273
2017-18	34,401	2,663	37,064
2018-19	35,644	1,390	37,034
	<u>\$ 374,539</u>	<u>\$ 68,140</u>	<u>\$ 442,679</u>

During the current fiscal year, there were no bond principal payments required.

In 2007, the District entered into negotiations for the purpose of computer equipment. A non-interest bearing technology loan in the amount of \$499,080 was obtained through the KISTA New Market Tax Credit Program, and is shown as lease obligations in the accompanying financial statements.

Loan principal in the amount of \$99,816 was paid during the current fiscal year, which includes coal severance funds in the amount of \$36,064 awarded to the District to assist with the scheduled payments. Coal severance funds were only guaranteed for the initial two years. The assets under capital lease are being depreciated. This depreciation is included in total depreciation expense allocated to governmental functions.

The minimum obligations at June 30, 2009 for the lease obligation is as follows:

<u>Year</u>	<u>Amount</u>
2009-10	\$ 99,816
2010-11	99,816
2011-12	49,908
	<u>\$ 249,540</u>

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund is based on premium rates established by such funds in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The Liability Insurance Fund pays

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 7 – RISK MANAGEMENT (CONTINUED)**

insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro-rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund, however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated, which includes workers' compensation insurance.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

**NOTE 8 – RETIREMENT PLANS**

**Pension Plan**

The Whitley County School System contributes to the Teachers' Retirement System of Kentucky ("KTRS"), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 181 Section 220 through Chapter 181 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

*Funding policy* – Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions.

**Medical Insurance Plan**

*Plan description* – In addition to the pension benefits described above, Kentucky Revised Statute 181.875 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 8 – RETIREMENT PLANS (CONTINUED)

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy* – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees, as described in the plan description, and investment interest help meet the medical expenses of the plan.

The Whitley County School System's total payroll for the year was \$27,325,638. The payroll for employees covered under KTRS was \$20,242,664. For the year ended June 30, 2009, the Commonwealth contributed \$2,326,184 to KTRS for the benefit of participating employees. The School Districts' contribution to KTRS for the year ending June 30, 2009 was \$326,354, which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 13.50% of the employee's total compensation subject to contribution. The Contribution requirement for CERS for the year ended June 30, 2009 was \$1,235,277, which consisted of \$901,864 from the Board and \$333,413 from the employees.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

CERS does not make separate measurements of assets and pension benefit obligation for individual employers. As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost of the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District provides a \$100 contribution to eligible participants.

NOTE 9 – CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 9 – CONTINGENCIES (CONTINUED)

Kayla Danielle Lawson, et. al. v. Whitley County Board of Education, et. al. - This is a lawsuit filed in Whitley Circuit Court by the parents of a student claiming personal injury, due to an incident that occurred during a Junior ROTC program practice activity with another Junior ROTC student. Thus far, the evidence strongly supports the school system in this matter and it is being contested by the board. The outcome looks favorable to the board.

Whitley County Middle School Student (H.B.) - This is a personal injury claim wherein a student alleges he was injured playing touch football with a group of other students during break. This case is not in litigation and is being investigated by the board's insurance carrier and the Superintendent. Thus far, the outcome looks favorable to the board.

No provision was made in the accompanying financial statements for any contingent liabilities.

NOTE 10 – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

NOTE 11 – DEFICIT OPERATING/FUND BALANCES

The following fund had operations that resulted in a current year operating deficit, resulting in a corresponding reduction in fund balance:

Construction Fund	<u>\$ 2,274,055</u>
-------------------	---------------------

NOTE 12 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	51	1	Indirect costs	\$ 120,177
Operating	320	400	Debt service requirement	1,191,707
Operating	1	2	Matching	88,400
Operating	310	400	Debt service requirement	241,658
Operating	2	1	Indirect costs	3,326

NOTE 13 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2009.



WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2009

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
<b>ASSETS AND RESOURCES</b>					
Cash and cash equivalents	\$ 439,569	\$ 2,035,559	\$ 356,956	\$ 4,387,570	\$ 7,219,654
Other current assets	<u>182,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,730</u>
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 622,299</u>	<u>\$ 2,035,559</u>	<u>\$ 356,956</u>	<u>\$ 4,387,570</u>	<u>\$ 7,402,384</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Construction contracts retainage	\$ -	\$ -	\$ 2,353	\$ -	\$ 2,353
Construction contracts payable	-	-	3,524	-	3,524
Matured coupons outstanding	-	-	-	112,685	112,685
Reserved for capital projects	622,299	2,035,559	351,079	-	3,008,937
Reserved for debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,274,885</u>	<u>4,274,885</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 622,299</u>	<u>\$ 2,035,559</u>	<u>\$ 356,956</u>	<u>\$ 4,387,570</u>	<u>\$ 7,402,384</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2009

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
From local sources:					
Taxes:					
Property	\$ -	\$ 270,006	\$ -	\$ -	\$ 270,006
Earnings on investments	-	-	30,368	31,980	62,348
Other local revenues	-	-	75,000	-	75,000
Intergovernmental – state	<u>411,162</u>	<u>1,099,101</u>	<u>-</u>	<u>-</u>	<u>1,510,263</u>
<b>TOTAL REVENUES</b>	<u>411,162</u>	<u>1,369,107</u>	<u>105,368</u>	<u>31,980</u>	<u>1,917,617</u>
<b>EXPENDITURES</b>					
Payment of bonds	-	-	-	706,776	706,776
Payment of interest	-	-	-	735,037	735,037
Facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>2,379,423</u>	<u>-</u>	<u>2,379,423</u>
<b>TOTAL       EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>2,379,423</u>	<u>1,441,813</u>	<u>3,821,236</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>411,162</u>	<u>1,369,107</u>	<u>(2,274,055)</u>	<u>(1,409,833)</u>	<u>(1,903,619)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	-	-	-	3,655,000	3,655,000
Bond discount	-	-	-	(32,382)	(32,382)
Bond issuance costs	-	-	-	(37,370)	(37,370)
Operating transfers in	-	-	-	1,433,365	1,433,365
Operating transfers out	<u>(241,658)</u>	<u>(1,191,707)</u>	<u>-</u>	<u>-</u>	<u>(1,433,365)</u>
<b>TOTAL OTHER FINANCING       SOURCES (USES)</b>	<u>(241,658)</u>	<u>(1,191,707)</u>	<u>-</u>	<u>5,018,613</u>	<u>3,585,248</u>
<b>NET CHANGES IN FUND BALANCES</b>	169,504	177,400	(2,274,055)	3,608,780	1,681,629
<b>FUND BALANCES, JULY 1, 2008</b>	<u>452,795</u>	<u>1,858,159</u>	<u>2,625,134</u>	<u>666,105</u>	<u>5,602,193</u>
<b>FUND BALANCES, JUNE 30, 2009</b>	<u>\$ 622,299</u>	<u>\$ 2,035,559</u>	<u>\$ 351,079</u>	<u>\$ 4,274,885</u>	<u>\$ 7,283,822</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
WHITLEY COUNTY HIGH SCHOOL  
Year Ended June 30, 2009

ACCOUNTS:	Cash Balances July 1, 2008	Receipts	Disbursements	Interfund Transfers	Cash Balances June 30, 2009
General	\$ 6,747	\$ 26,796	\$ 17,310	\$(6,356)	\$ 9,877
Pepsi	8,053	3,128	-	(4,100)	7,081
Academic Team	303	-	1,896	2,000	407
Art	407	1,076	1,003	-	480
Band	28	-	-	-	28
Beta Club	45	2,685	991	-	1,739
Cheerleaders	170	-	1,080	1,000	90
Choir	47	100	-	-	147
DECA	631	4,484	3,854	-	1,261
FBLA	554	250	582	-	222
FFA	3,773	15,581	15,956	-	3,398
FCCLA	3,380	5,444	7,631	-	1,193
Horticulture	9,888	8,179	5,354	-	12,713
Parking	2,107	1,890	315	-	3,682
Library	74	-	-	-	74
Science/Math Club	778	-	46	-	732
Seniors	1,190	16,049	18,934	3,000	1,305
Textbooks	1,525	1,175	-	-	2,700
Vocational Foods	427	46	-	-	473
Yearbook	12,741	4,417	10,292	-	6,866
Dance	637	-	-	-	637
SADD	444	-	-	(444)	-
French	574	4,641	4,565	(635)	15
Football	5,938	43,112	46,298	(2,500)	252
Boys Basketball	1,002	5,736	7,653	915	-
Girls Basketball	4,979	5,043	7,737	-	2,285
Baseball	-	2,000	2,395	400	5
Softball	784	2,117	1,935	-	966
Track	1,134	257	50	-	1,341
Lockers	3,089	7,435	-	-	10,524
Pep	831	-	183	-	648
TMH	546	-	343	-	203
JROTC	6,692	5,286	4,736	400	7,642
Teacher's Pepsi	1,786	3,681	4,892	-	575
Tennis	3,897	3,622	10,135	4,100	1,484
Special Olympics	2,243	-	1,355	(400)	488
FEA	1,428	2,310	3,260	(92)	386
CATS	5,005	4,000	9,358	1,600	1,247
Special Events	13,143	9,978	10,355	(915)	11,851
Transportation	11,504	-	145	929	12,288
STLP	69	-	-	(69)	-
Boys Golf	721	-	638	-	83
Girls Golf	108	-	65	-	43

Accounts Receivable June 30, <u>2009</u>	Accounts Payable June 30, <u>2009</u>	Fund Balances June 30, <u>2009</u>
\$ 100	\$ 1,321	\$ 8,656
-	-	7,081
-	-	407
-	-	480
-	-	28
-	-	1,739
-	-	90
-	-	147
-	-	1,261
-	-	222
-	2,984	414
-	-	1,193
-	-	12,713
-	-	3,682
-	-	74
-	-	732
-	100	1,205
-	-	2,700
-	-	473
-	-	6,866
-	-	637
-	-	-
-	-	15
-	-	252
-	-	-
-	1,080	1,205
-	-	5
-	-	966
-	-	1,341
-	-	10,524
-	-	648
-	-	203
-	-	7,642
557	-	1,132
-	-	1,484
-	-	488
-	-	386
-	-	1,247
-	-	11,851
-	-	12,288
-	-	-
-	-	83
-	-	43

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONTINUED)  
WHITLEY COUNTY HIGH SCHOOL  
Year Ended June 30, 2009

	Cash Balances <u>July 1, 2008</u>	<u>Receipts</u>	<u>Disbursements</u>	Interfund <u>Transfers</u>	Cash Balances <u>June 30, 2009</u>
ACCOUNTS:					
AP Government	33	-	-	(33)	-
NHS	1,005	-	746	-	259
Volleyball	194	139	1,475	1,200	58
Bible class	100	100	200	-	-
Project TLC	225	1,800	724	-	1,301
Colonel Players	4,136	4,368	4,098	-	4,406
Wrestling	25	-	20	-	5
First Priority	-	72	-	-	72
Totals	<u>\$ 125,140</u>	<u>\$ 196,997</u>	<u>\$ 208,605</u>	<u>\$ -</u>	<u>\$ 113,532</u>

Accounts Receivable June 30, <u>2009</u>	Accounts Payable June 30, <u>2009</u>	Fund Balances June 30, <u>2009</u>
-	-	-
-	-	259
-	-	58
-	-	-
-	-	1,301
-	-	4,406
-	-	5
-	-	72
<u>\$ 657</u>	<u>\$ 5,485</u>	<u>\$ 108,704</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS  
Year Ended June 30, 2009

	Cash Balances <u>July 1, 2008</u>	<u>Receipts</u>	<u>Disbursements</u>	Interfund <u>Transfers</u>	Cash Balances <u>June 30, 2009</u>
WHITLEY COUNTY MIDDLE SCHOOL All funds	<u>\$ 83,045</u>	<u>\$ 118,539</u>	<u>\$ 112,001</u>	<u>\$ -</u>	<u>\$ 89,583</u>
OAK GROVE ELEMENTARY SCHOOL All funds	<u>\$ 34,408</u>	<u>\$ 56,863</u>	<u>\$ 62,117</u>	<u>\$ -</u>	<u>\$ 29,154</u>
WHITLEY COUNTY NORTH ELEMENTARY SCHOOL All funds	<u>\$ 27,729</u>	<u>\$ 45,635</u>	<u>\$ 41,418</u>	<u>\$ -</u>	<u>\$ 31,946</u>
PLEASANT VIEW ELEMENTARY SCHOOL All funds	<u>\$ 8,474</u>	<u>\$ 26,786</u>	<u>\$ 27,799</u>	<u>\$ -</u>	<u>\$ 7,461</u>
WHITLEY COUNTY CENTRAL PRIMARY SCHOOL All funds	<u>\$ 16,548</u>	<u>\$ 51,948</u>	<u>\$ 51,983</u>	<u>\$ -</u>	<u>\$ 16,513</u>
BOSTON ELEMENTARY SCHOOL All funds	<u>\$ 2,782</u>	<u>\$ 11,192</u>	<u>\$ 9,804</u>	<u>\$ -</u>	<u>\$ 4,170</u>
ROCKHOLDS OPPORTUNITY CENTER All funds	<u>\$ 6,548</u>	<u>\$ 2,974</u>	<u>\$ 569</u>	<u>\$ -</u>	<u>\$ 8,953</u>
WHITLEY COUNTY INTERMEDIATE SCHOOL All funds	<u>\$ 32,403</u>	<u>\$ 35,747</u>	<u>\$ 31,932</u>	<u>\$ -</u>	<u>\$ 36,218</u>
WHITLEY COUNTY EAST ELEMENTARY SCHOOL All funds	<u>\$ 12,801</u>	<u>\$ 18,120</u>	<u>\$ 15,573</u>	<u>\$ -</u>	<u>\$ 15,348</u>

Accounts Receivable June 30, <u>2009</u>	Accounts Payable June 30, <u>2009</u>	Fund Balances June 30, <u>2009</u>
<u>\$ 492</u>	<u>\$ 11,532</u>	<u>\$ 78,543</u>
<u>\$ 756</u>	<u>\$ 246</u>	<u>\$ 29,664</u>
<u>\$ 89</u>	<u>\$ 30</u>	<u>\$ 32,005</u>
<u>\$ 123</u>	<u>\$ -</u>	<u>\$ 7,584</u>
<u>\$ 3,009</u>	<u>\$ 1,177</u>	<u>\$ 18,345</u>
<u>\$ 453</u>	<u>\$ 1,887</u>	<u>\$ 2,736</u>
<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 8,983</u>
<u>\$ 780</u>	<u>\$ 1,310</u>	<u>\$ 35,688</u>
<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 15,378</u>



WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award	Federal Disbursements
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
SPECIAL EDUCATION CLUSTER				
Special Education – Grants to States	84.027	3810002-07	\$ 948,717	\$ 234,129 *
Special Education – Grants to States	84.027	3810002-08	944,913	652,541 *
Special Education – Preschool Grants	84.173	3800002-08	41,419	41,419 *
Total Special Education Cluster				<u>928,089 *</u>
Title I Grants to Local Educational Agencies	84.010	3100002-07	2,064,196	374,464 *
Title I Grants to Local Educational Agencies	84.010	3100002-07	100,023	153 *
Title I Grants to Local Educational Agencies	84.010	3100002-08	2,488,737	2,117,110 *
Title I Grants to Local Educational Agencies	84.010	3100002-08	98,610	88,258 *
Title I Grants to Local Educational Agencies	84.010A	3100202-07	59,692	8,926 *
Title I Grants to Local Educational Agencies	84.010A	3100202-08	71,926	39,999 *
Education for Homeless Children and Youth	84.196A	3990002-07	43,938	11,089
Education for Homeless Children and Youth	84.196A	3990002-08	48,346	35,202
State Grants for Innovative Programs	84.298A	3500002-07	9,029	1,523
Improving Teacher Quality State Grants	84.367	3230002-08	438,129	410,193
English Language Acquisition Grant	84.365A	3300002-06	10,116	3,687
School-Based Student Drug Testing	84.184D	5349	136,559	124,916
Safe and Drug-Free Schools and Communities – State Grants	84.186A	3410002-08	30,462	30,462
Vocational Education – Basic Grants to States	84.048	4620832-07	1,320	1,320
Vocational Education – Basic Grants to States	84.048	4620832-07	65,363	8,452
Vocational Education – Basic Grants to States	84.048	4620932-08	74,441	66,483
Education Technology State Grants	84.318	3210002-07	21,638	13,723
Education Technology State Grants	84.318	3210002-07	54,336	46,451
Education Technology State Grants	84.318	4259	24,359	15,884
Education Technology State Grants	84.318	3210002-06	54,443	5,199
Adult Education – State Grant Program	84.002	3658S	24,800	2,330
Adult Education – State Grant Program	84.002A	3738	85,787	1,198
Adult Education – State Grant Program	84.002	3738S	4,155	132
Adult Education – State Grant Program	84.002A	3737	72,351	3
Adult Education – State Grant Program	84.002A	3739	115,015	114,522
Adult Education – State Grant Program	84.002	3739S	5,920	4,211
Twenty-First Century Community Learning Centers	84.287	3400002-05	262,500	423

\* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Year Ended June 30, 2009

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
Twenty-First Century Community Learning Centers	84.287	3400002-06	187,500	50,984
Twenty-First Century Community Learning Centers	84.287	3400002-07	200,000	136,486
Twenty-First Century Community Learning Centers	84.287	3400002-08	275,000	39,489
Twenty-First Century Community Learning Centers	84.287	3400002-08	15,000	15,000
Rural Education	84.358B	3140002-08	117,462	27,340
Rural Education	84.358B	3140002-07	139,135	13,072
Total U.S. Department of Education				<u>\$ 4,736,773</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Education:				
CHILD NUTRITION CLUSTER				
National School Breakfast Program	10.553	7760005-08	\$ 142,219	\$ 142,219 *
		7760005-09	517,345	517,345 *
National School Lunch Program	10.555	7750002-08	312,822	312,822 *
		7750002-09	1,090,711	1,090,711 *
Summer Food Service Program for Children	10.559	7740023-08	20,915	20,915 *
		7740023-09	51,396	51,396 *
		7690024-08	2,174	2,174 *
		7690024-09	4,836	4,836 *
Total Child Nutrition Cluster				<u>2,142,418</u>
Child and Adult Care Food Program	10.558	7790021-08	5,520	5,520
		7790021-09	21,049	21,049
Food Donation/Commodities Program	10.550	057502-02	128,572	128,572
Fresh Fruit and Vegetable Program	10.582	7720012-08	2,574	2,574
		7720012-09	13,111	13,111
Total U.S. Department of Agriculture				<u>\$ 2,313,244</u>
<u>U.S. Department of Labor</u>				
Passed through State Department of Education:				
WIA Youth Activities	17.259	5888A	\$ 49,341	\$ 292
WIA Youth Activities	17.259	5889A	89,500	79,544
WIA Youth Activities	17.259	5889B	131,568	22,290
Total U.S. Department of Labor				<u>\$ 102,126</u>

\* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Defense</u>				
Junior Reserve Officers' Training Corps	12.000	5049	\$ 54,242	\$ 54,242
Total U.S. Department of Defense				<u>\$ 54,242</u>
<u>National Oceanic and Atmospheric Administration</u>				
Congressionally Identified Awards and Projects	11.469	2709B	\$ 3,250	\$ 2,572
Congressionally Identified Awards and Projects	11.469	2709H	3,250	3,250
Total National Oceanic and Atmospheric Administration				<u>\$ 5,822</u>
Total Expenditures of Federal Awards				<u>\$ 7,212,207</u>

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Whitley County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2009

SUMMARY OF AUDIT RESULTS

1. We have issued an unqualified opinion on the basic financial statements of the Whitley County School District.
2. No significant deficiencies were disclosed in our audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No significant deficiencies were disclosed in our audit of internal control over major programs.
5. We have issued an unqualified opinion on compliance for major programs.
6. The audit did not disclose any audit findings, which we are required to report under Section .510(a) of A-133.
7. The programs tested as major programs included:

	<u>CFDA</u>
Title I Grants to Local Educational Agencies	84.010
CHILD NUTRITION CLUSTER	
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
National School Breakfast Program	10.553
SPECIAL EDUCATION CLUSTER	
Special Education - Preschool Grants	84.173
Special Education Grants to States	84.027

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Whitley County School District was determined to be a low risk auditee.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2009

NONE

# Marr, Miller & Myers, PSC

Certified Public Accountants  
(606) 528-2454 (FAX 528-1770)

P.O. Box 663  
Corbin, Kentucky 40702

October 23, 2009

Members of the Board of Education  
Whitley County School District  
Williamsburg, Kentucky

We have audited the financial statements of the Whitley County School District as of and for the year ended June 30, 2009, and have issued our report thereon dated October 23, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements and Appendix III to the Independent Auditor's Contract – Electronic Submission.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered Whitley County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements, that is more than inconsequential, will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Marr, Miller & Myers, PSC

---

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Whitley County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Marr, Miller & Myers, PSC*

Certified Public Accountants

# Marr, Miller & Myers, PSC

Certified Public Accountants  
(606) 528-2454 (FAX 528-1770)

P.O. Box 663  
Corbin, Kentucky 40702

October 23, 2009

Members of the Board of Education  
Whitley County School District  
Williamsburg, Kentucky

## Compliance

We have audited the compliance of the Whitley County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The Whitley County School District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Whitley County School District's management. Our responsibility is to express an opinion on the Whitley County School District's compliance based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, and Appendix III to the Independent Auditor's Contract – Electronic Submission. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Whitley County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Whitley County School District's compliance with those requirements.

In our opinion, the Whitley County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in section 3(9)(a)-(w) of the Guide for Auditing Local School Districts' Fiscal Records that are required to be reported under Government Auditing Standards.



## Marr, Miller & Myers, PSC

---

### Internal Control Over Compliance

The management of the Whitley County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Whitley County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Whitley County School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Marr, Miller & Myers, PSC*

Certified Public Accountants

# Marr, Miller & Myers, PSC

---

Certified Public Accountants  
(606) 528-2454 (FAX 528-1770)

P.O. Box 663  
Corbin, Kentucky 40702

October 23, 2009

Members of the Board of Education  
Whitley County School District  
Williamsburg, Kentucky

In planning and performing our audit of the financial statements of the Whitley County School District for the year ended June 30, 2009, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of no matters that are required to be noted and all prior year findings were corrected.

*Marr, Miller & Myers, PSC*

Certified Public Accountants